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ABSTRACT

Since 1977, school budgetary problems have been created by a decline in state and federal tax revenues combined with a greater demand for services and declining student enrollment. The serious erosion in the fiscal health of the 50 states over the last few years means that competition for tax dollars will increase, leaving government with the choice to pass new taxes, institute cuts in state costs/services, or increase users' fees for such things as parks and roads. If federal funds continue to drop, school programs will be modified or discontinued, staff positions reduced, and materials and supplies cut. Monitoring such problems as advancing teacher age and increasing per pupil expenditures, local school boards should resist new state standards not fully funded and identify areas for cutting back services. Local funding is likely to experience a property tax backlash in the immediate and near future. Tactics for responding to the current period of budget cuts and program and fiscal accountability include (1) instituting effective community public relations, (2) hiring younger teachers to cut costs, (3) moving to school based management, and (4) undertaking critical internal evaluation of existing programs. (JBM)

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FISCAL CONDITION OF THE 50 STATES - BUDGET REALITIES

Discussion divided into three parts:

1. Discussion and analysis of fiscal trends in fifty states.
2. Projection of possible local Board of Education reactions.
3. An analysis of possible actions that can be taken by [redacted] school leadership.

I. Sirens of Tax Revolt

A. Overview

From 1959 to 1976, the 50 states enacted as many as 586 tax increases and 41 new taxes. The result was a less regressive tax structure and a substantial increase in state tax revenues. This resulted in expanded state-supported services and a slow down in the growth of unpopular local property taxes. (Addressed court decisions of early 1970s - Rodriquez, et al)

By 1977, the sirens of tax revolt were being heard in the state capitols. Beginning in 1977, states started the reduction of government growth and began to curtail the growth of state tax revenues. Between 1977 and 1980, 16 states reduced sales taxes and 22 states reduced income tax rates. By 1981, 9 more states indexed personal income taxes which resulted in further tax revenue loses.

In addition to the above, similaractions by the federal government have slowed revenues to the states. Most states have their tax structure tied to the federal tax structure. With the change in both individual and corporate income tax rates by the federal government, this resulted in an additional real reduction in state tax revenues.

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B. Federal Cuts

Between 1976 and 1979 total federal aid to the states rose by 11.5% annually, from 1979 to 1980 it dropped to 10.3% and was 3.9% in 1980-81. An actual loss (drop) was projected for 1981-82.

Note: As inflation grew, federal money grew, reached a peak in 1979 and has dropped to zero growth as of 1981-82.

C. Recession

Tax revenues have dropped significantly at the state level. This was unexpected by political and public sector leadership. Sixteen states ended the 1981 fiscal year with deficits or balances of less than 1%. In the past five years, state taxes have fallen as a percentage of personal income in 44 states (February, 1983 study). By the end of fiscal 1982, only 6 states had a surplus of 5 or more percent. Forty-one states have a combined deficit of $2.9 billion. By fiscal 1983, 47 of the 50 states have less tax income than their budgets anticipated (National Conference of State Legislatures).

Problem: Less people paying taxes, and more demand for services.

D. Inflation

We have had not only rapid and very real inflation during the past 15 years but our educational system has designed inflation into our school budgets. These include

(1) Pay raises (automatic) for new degrees, years of experience (step increases)

(2) M & O - High technological equipment require service,

upgrade teaching environments with air conditioning, etc.

(I saw coal go from $7.00 a ton delivered to $60+ dollars and we pay delivery.)

E. Enrollment Trends

Societal changes including fewer families with children and those with families tend to have fewer children (zero population growth). Also, the growth in single parent homes (40%) have had a real impact on school opeations.

The above has led to school closings, RIF (Reduction In Force) of teachers and staff, and resulting in a rise in our average teaching age. Older teachers cost more than young teachers and our per pupil cost is going-up.

F. Competition

Competition from other govermental units for state and local money is increasing. Fire, water, sewage, police, welfare and the like are demanding their share of the "pie" as unemployment, bankruptecies, and the crime goes up/and old systems wear out.

G. Teacher Changes

Recent trends in teachers indicate two items of political significance.

(1) More and more teachers do not live in the school district - They drive in and out each day, don't know the community, etc.

(2) Teacher moonlighting is on the increase (28.8% of the Texas teachers moonlight an average 11.9 hours per week during the school year).

H. K-12 Detailed Analysis

For past several years

1. State tax revenues have grown over 11% per year.
2. Local tax revenues grew at a much slower rate of 5.7% per year.
3. Federal aid grew at a 10.2% annual rate.

Trends

1. State tax revenue to be around 6% unless new taxes are passed in 1983.
2. Local taxes to jump to around 12% during fiscal '83'.
3. Federal aid zero growth in fiscal '83'.

*4. There is a serious erosion in the fiscal health of the 50 states.

5. Abundant natural resources add to the fiscal strength of a state. (Texas, Alaska, etc.)
6. Competiton will increase for tax dollars.
7. Fiscal and program accountability are long term conditions facing the schools.
8. The advancing age of our population will continue to increase pressure against taxes.

I. Options for Government

1. Pass new taxes -

   Many will pass new taxes. Once source. lotteries: Since 1970s seventeen states and D.C. have set up state lotteries.

2. Cut state costs/services

   Michigan currently has a 22% shortfall in tax revenue.

   Alabama, Tennessee, S.C. prorated.

3. Increase user fees. (parks, roads, schools?)

J. Question

Are we in a period of greater control (limitation of local district decisions) by the state?

II. Local Board Reactions

A. Federal Funds

If federal funds continue to drop we can perdict the following Board/staff reactions.

1. Current programs will be modified or discontinued.
2. Staff positions will be reduced at school and district levels.
3. Travel, equipment, materials and supplies will be cut. (probably 1st cut)

Recommendations: (If this occurs)

1. Keep it honest. Look at business, data processing, warehouse, transportation and supervisory positions paid out of federal funds. If program cuts occur you must reduce support and overhead.
2. Teachers should be the last to go. Move to School Based Management of federal programs. Cut central leadership. Let locally funded leadership coordinate all programs.
3. If cuts occur, know federal guidelines (EDGAR etc.), retire equipment, supplies, etc. in the school they are located (under $500 items).
4. Don't accept new federal programs unless you have a real need and the program will continue a reasonable period of time (more than one year). The central office must make

long range decisions not year-by-year decisions on program locations and the like.

5. Make early decisions/seek early decisions on refunding. Be involved and give input to the state plan of expenditures for the federal money.
6. Protect federally paid staff, offer them locally funded positions as jobs open.

B. State Funds

Watch out for fiscal slippage in tax revenues. Address these problem areas:

1. State regulations/standard changes may not recognize the lack of full state funding.
2. Certain state priorities are in motion in may states that will result in a budget follow-through at the local level. These include:
   a. Basic Skills Testing,
   b. Changes in teacher certification,
   c. Step and new degree increases, etc.
3. The current drop in student enrollment in many school districts is leaving us with an aging teacher population that increases our per pupil expenditure each year.
4. Inflation is real. Paper, teaching supplies, library books, school utilities, and the like continue to increase each year.

Recommendations:

1. Pressure must be brough to bear on the state to relax/postpone new standards not fully funded.

2. Local school district management must be more efficient, less political, and more efficient in bus routes, purchasing supplies and materials, etc.
3. Contracts of employees which extend beyond the academic school year (180 days or so) must be evaluated. Can the district close in July for one month? Do you need (essential or desirable) 10½, 11, or 12 months staff in the central offices and at the school level? If cuts come where do you want to cut first (school program or summer services)? (Day vs. night activities)?
4. Review of state certification requirements. Do we really need a Master's Degree or a doctorate heading personnel? Should we pay for a Master's Degree in school administration if the person is a third grade teacher? (Do we pay for new career training or upgrading current job skills?)

We need to begin to look at how we are spending our money. What options do we have if addition cuts occur.

a. Rent vacant facilities, etc.

C. Local Funds

Look out for a property tax revolt if it has not already hit your area. It's likely the current local property tax growth is a temporary phenomenon resulting from reassessment or some other temporary opportunity. With our live birthrate down and our general population growing older look for a property backlash.

Recommendations

1. Activate and use local school advisory committees (LSAC) in your schools budget process.
2. Use school newsletters, PTA meetings and the like to inform students and parents of the rising operational costs, your program, etc. (Budget funds for this).
3. Consider expanding your school newsletter distribution to include community outlets such as local grocery stores, doctor's offices, community centers, city/county elected officials, etc.
4. Work on Community Public Relations. Recognize by letter or with lunch police, fire, and other agency support given to the school.
5. Keep your teachers and staff informed. They can't help unless they know the facts.
6. Can you consolidate schools to cut your overhead.
7. Review the age of your teachers, seek young teachers to cut costs.

   Look at living/residency of teachers. Can you build community support by requiring teachers/staff to live in the school district.
8. Address curriculum by three tests.
   a. Is it required (law)?
   b. Is it essential for the schools?
   c. Is it a preference/desirable?
9. Move to School Based Management. Give the principal the money and hold him responsible for everything. (Inservice, staffing, energy, maintenance, food, curriculum).

10. Move to contracted services for food operations when the cost approaches $1.40.
11. Press for greater cooperation between teachers, schools, and the like.

General Recommendations (For the Supervisor)

1. Join and actively be involved in state and national professional organizations. Keep informed through them and support their lobby efforts.
2. Keep up with program data. What works? Can you prove it? Be prepared to be accountable when buying or hiring.
3. Seek options and share ideas. They may be an equally satisfactory ways at less cost.
4. Don't hide problems or sit on "buried treasure". Use a "critical eye" in program and staff evaluation. Make decisions now to protect the program in the future.
5. Don't be critical of other program areas. An internal revolution between elementary and high schools or instruction and maintenance does not serve the children.

We are in a period of budget cuts and tax revenue decline. Program and fiscal accountability is here. Our student population has declined and our adult population is aging.

"If you can't cope with this, you better get out of education."
It is here to stay for awhile. The supervisor cannot leave instuctional dicisions to others, they must be involved .

RECOMMENDATIONS FOR THE SUPERVISOR

1. BE ACTIVE IN PROFESSIONAL ORGANIZATIONS -- STAY INFORMED.
2. KEEP UP WITH PROGRAM DATA. BE PREPAKED TO PROVE WHAT IS WORKING.
   BE PREPARED TO BE ACCOUNTABLE WHEN BUYING OR STARTING A NEW PROGRAM.
3. SEEK OPTIONS THAT ARE EQUALLY SATISFACTORY AT LESS COST.
4. MAKE DECISIONS NOW THAT WILL PROTECT PROGRAMS IN THE FUTURE. AVOID
   THE SHORT TERM SOLUTION.
5. DON'T BE CRITICAL OF OTHER PROGRAM AREAS. AVOID INTERNAL REVOLUTION.
6. BE INVOLVED AND HELP THE PRINCIPALS BE ACCOUNTABLE.